

May 15, 2008

Mr. Scott Couch
State Water Resources Control Board
Division of Financial Assistance
1001 "I" Street, 16th Floor
Sacramento, CA 95814

RE: Proposition 50, Round 2, Step 2 Draft Funding Recommendations

Dear Mr. Couch,

The Central Orange County Regional Water Management Group would like to express our appreciation to the Department of Water Resources and the State Water Resources Control Board for the consideration given to the *Central Orange County Integrated Regional and Coastal Watershed Management Plan*. We recognize that this was a highly competitive program and, on the whole, the plans and grant applications submitted for Round 2 demonstrate a clear progression in integrated regional water management planning. This maturation in IRWM planning provides increased value to the residents, businesses, and environmental groups of California with respect to both natural and fiscal resources.

Given the quality of the proposals received, the critical condition of water resources throughout the state, and the current economic climate, as well as the precedent set in Proposition 50 Round 1, we believe there is compelling justification for the Department to allocate a portion of Proposition 84, Chapter 2 funding to fully fund all of the Round 2 proposals.

1) Round 2 Proposals Consistent with Proposition 84

Proposition 84 builds off the IRWM approach that was promulgated in Proposition 50 and Division 26.5, Chapter 8 of the Water Code. As such, the planning approach, objectives, project types, and performance monitoring that were proposed in the Round 2 applications are consistent with Proposition 84. For example, Public Resources Code §75026(d) allows the Department to implement the Prop 84 IRWM program using the Prop 50 IRWM guidelines if it so chooses.

PRC §75027(a) includes \$100 million for inter-regional needs that the Department may use to address multi-regional needs or issues of statewide significance. We believe that fully funding the Round 2 proposals would be an appropriate use of this funding as the proposals will implement critical water resource projects.

2) Accelerate Environmental Benefits

Funding the remaining Round 2 proposals will accelerate the environmental benefits to be derived from the proposed projects. Consistent with IRWM standards, each of the regions went through a collaborative process to identify and prioritize projects. The respective funding matches that are proposed are further demonstration of each region's commitment to seeing these projects implemented in a timely manner. In most cases, grant funding is the trigger that enables the proposed projects to move forward in the near term. Early implementation is highly valued as the benefits can begin to accrue much sooner, and may avoid further impacts associated with a delay.

3) Increase Value of Bond and Capital Funds

Inflation is highly erosive to the value of bond and capital funds, and delays in project implementation will increase costs but not the benefit. Some agencies have noted a 20% annual increase in construction costs, significantly impacting project viability and agency ability to implement capital projects. As with environmental benefits, early implementation increases the return on the investment. Using Prop 84 funds to assist in implementation of all of the Round 2 IRWM proposals would significantly enhance the value of the bond funds as well as the capital funds that the agencies are bringing to the projects.

4) Economic Stimulus

The projects in the Round 2 proposals represent approximately \$625 million in capital expenditures over the next several years in diverse regions of the state. In 2006 the voters stated their preference to improve the state's infrastructure systems. With the current economic challenges, we believe this is an important opportunity to put capital funds to work as a means to provide jobs and a measure of economic stimulus.

Based on the reasons discussed above, we request the following:

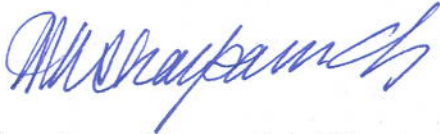
- The Department and State Board approve the draft funding recommendations for Proposition 50, Round 2.
- The Department allocate a portion of the unallocated \$100 million in Proposition 84 Chapter 2 IRWM funds to fully fund the two proposals that may be partially funded (County of Humboldt and San Diego County Water Authority) if necessary, and fully fund the five proposals that received no funding in Proposition 50, Round 2.

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- The Department leave in tact the portion of the unallocated \$100 million in Proposition 84 Chapter 2 IRWM funds designated to assist Disadvantaged Communities.

The Central Orange County Regional Water Management Group is fully supportive of the IRWM planning process and the benefits it offers to regions throughout the state. We believe our request to use Proposition 84, Chapter 2 IRWM funding to fully fund the Round 2 proposals provides significant value to the residents, businesses and environmental groups within this state. We appreciate your consideration.

On behalf of the
Central Orange County Regional Water Management Group



Mary Anne Skorpanich, Director
OC Watersheds Program

Cc: Central Orange County Regional Water Management Group